

Regents Flood Recovery Bonding Bill Senate File 474

Last Action:

Senate Floor

April 8, 2009

Executive Summary Only

An Act relating to the bonding authorization of the state board of regents for flood repair, restoration, replacement, and mitigation at the state university of Iowa.

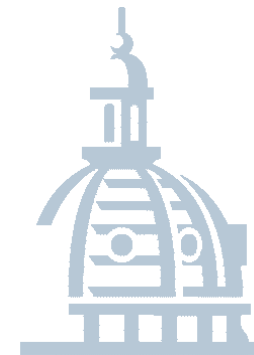


NOTES ON BILLS AND AMENDMENTS (NOBA)

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Fiscal Services Division

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EXECUTIVE SUMMARY NOBA

SENATE FILE 474 REGENTS FLOOD RECOVERY BONDING BILL

FUNDING SUMMARY

- Authorizes the Board of Regents to issue and sell academic revenue bonds totaling \$100.0 million. The bonds will be used to provide the State match to leverage Federal Emergency Management Agency (FEMA) funding and provide funding for repairs and replacement of facilities that were damaged during the flooding on the University of Iowa campus in June 2008.

FLOOD DAMAGE

- Total damage from the 2008 floods is estimated to be \$743.0 million. According to the Board of Regents, the funding for flood recovery is from several sources:
 - \$478.0 million in federal funding from FEMA.
 - \$80.0 million from insurance proceeds.
 - \$30.0 million in private funds.
 - \$30.0 million in bond proceeds from the self-supporting University of Iowa Parking System.
 - \$25.0 million in bond proceeds from the bonding authorization approved in prior years.
 - \$100.0 million in bond proceeds from the authorization in this Bill.

ACADEMIC REVENUE BONDS AND TUITION REPLACEMENT

- Academic revenue bonds must be authorized by the General Assembly and Governor. In recent years, Senate File 2298 (FY 2005 Omnibus Appropriations Act) from the 2004 Legislative Session and HF 920 (Regents Bonding Act) from the 2007 Legislative Session authorized the Board to issue bonds totaling \$120.0 million and \$131.4 million, respectively. The Board approves a schedule for bond issuances for projects at the three universities under its jurisdiction. The 2007 bonding authorization has two remaining issuances scheduled in calendar year 2009 and one scheduled for 2010.
- Academic revenue bonds are guaranteed by student tuition fees, but the General Assembly annually appropriates funds to the Board to pay the debt service and minimize tuition increases. The tuition replacement appropriation provides most of the annual debt service, but a portion of the debt service is paid from reserve fund interest. For example, in FY 2009 the total debt service payment will be \$29.8 million, but the tuition replacement appropriation is \$24.3 million.
- As of March 2009, total outstanding debt service on actual sales of academic revenue bonds is \$457.0 million. Debt service is scheduled through FY 2035. The total amount needed for tuition replacement on these existing bonds is estimated to be \$397.6 million. Projections for total debt on all outstanding academic revenue bonds that will include all 2007 authorized bonds once they are issued, is estimated to be \$600.2 million. Of this amount, the total estimated tuition replacement needed is \$503.8 million.

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FISCAL IMPACT

- The estimated total debt for the proposed \$100.0 million of academic revenue bonds for flood recovery is \$216.9 million.
- Total debt for academic revenue bonds with the additional 2009 authorized bonding is estimated to be \$817.2 million. Of this amount, total tuition replacement estimated to be needed is \$727.2 million. This is an increase of \$223.4 million compared to the current bonding authorization. In addition, debt service payments will continue until FY 2040.
- The increase in the tuition replacement appropriation will not occur until FY 2013, when the amount needed will be \$29.3 million.

DEFINITION EXPANDED

- The Bill expands the definition of “buildings and facilities” to include auditoriums and concert halls. This will allow for the restoration of all damaged facilities, including Hancher Auditorium.